

All for All: Equality and Social Trust

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LSE Health and Social Care Discussion Paper Number 15

First published in April 2005 by:

LSE Health and Social Care

The London School of Economics and Political Science

Houghton Street

London

WC2A 2AE

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British Library Cataloguing in Publication Data

A catalogue record for this publication is available from the British Library

ISBN [0 7530 1837 3]

Introduction

Between the 8th and 11th September 2004, LSE Health and Social Care hosted the 5th European Conference on Health Economics. The conference included presentations on all aspects of health economics, including financing and resource allocation, economic evaluation, econometrics in health economics, incentives in health care, equity in health and health care, outcomes evaluation, pharmaceutical economics, social care and mental health economics.

The present publication is based on the plenary address by Professor Bo Rothstein, on the subject of the Universal Welfare State and Social Capital.

Professor Rothstein is August Röhss Chair in Political Science at Göteborg University in Sweden. He has been a visiting scholar at the Russell Sage Foundation, Cornell University, Harvard University, Collegium Budapest, and at the University of Washington in Seattle. Among his publications in English are *The Social Democratic State: The Swedish Model* and *The Bureaucratic Problems of Social Reforms* (University of Pittsburgh Press 1996), and *Just Institutions Matters: The Moral and Political Logic of the Universal Welfare State* (Cambridge University Press 1998). In 2003 he was awarded a special grant for leading scholars by the Swedish Science Council, and is a regular contributor in the Swedish public debate on politics and social affairs.

Professor Uslander is Professor of Government and Politics at the University of Maryland—College Park. He has been Visiting Fulbright Professor at the Hebrew University (Jerusalem, Israel) and is a member of the Steering Committee of the National Committee to Unite a Divided America (co-chaired by former Ambassadors David Abshire and Max Kampleman).

His major recent books are the *Moral Foundations of Trust* (Cambridge University Press, 2002), *The Movers and the Shirkers* (University of Michigan Press, 1999) and *The Decline of Comity in Congress* (University of Michigan Press, 1993). He regularly comments for the press and has delivered keynote speeches to international conferences organized by the Government of Japan and in Finland, Greece, and Switzerland. In 1997-98 he was Distinguished University Research Fellow at the University of Maryland—College Park

CONTENTS

Introduction	2
Abstract	5
All for All: Equality and Social Trust: Introduction	6
Trust versus Trust: The Theory	8
Why some countries are more trusting than others	9
The stickiness problem.....	13
Social policies and social trust	18
Universal programmes and social trust	25
The social trap of universalism, trust, and equality.....	27
Conclusions	30

Abstract

The importance of social trust has become widely accepted in the social sciences. A number of explanations have been put forward for the stark variation in social trust among countries. Among these, participation in voluntary associations received most attention. Yet, there is scant evidence that participation can lead to trust. In this paper, we shall examine a variable that has not received the attention we think it deserves in the discussion about the sources of generalised trust, namely equality. We conceptualise equality in two dimensions: One is economic equality and the other is equality of opportunity. The omission of both these dimensions of equality in the social capital literature is peculiar for several reasons. One is that it is obvious that the countries that score highest on social trust also rank highest on economic equality, namely the Nordic countries, the Netherlands, and Canada. Secondly, these are countries that have put a lot of effort into creating equality of opportunity, not least in regard to their policies for public education, labour market opportunities and (more recently) gender equality. The argument for increasing social trust by reducing inequality has largely been ignored in the policy debates about social trust. Social capital research has to a large extent been used by several governments and policy organizations to send a message to people that the bad things in their society are caused by too little volunteering. The policy implications that follows from our research are that the low levels of trust and social capital that plague many countries are caused by too little government action to reduce inequality. However, many countries that are plagued by low levels of social trust and social capital may be stuck in what is known as a social trap. The logic of such a situation is the following. Social trust will not increase because massive social inequality prevails, but the public policies that could remedy this situation cannot be established precisely because there is a genuine lack of trust. This lack of trust concerns both “other people” and the government institutions that are needed to implement universal policies.

All for All: Equality and Social Trust: Introduction

The importance of social trust (or generalised trust) has become widely accepted in the social sciences. Social trust is important because it correlates with a number of other variables that are, for most people, normatively highly desirable. At the individual level, people who believe that most other people in their society in general can be trusted, are also more inclined to have a positive view of their democratic institutions, to participate more in politics and to be more active in civic organisations. They also give more to charity and they are more tolerant towards minorities and to people who are not like themselves. Trusting people also have a more optimistic view of their possibilities to have an influence over their own life-chances and, not least important, to be more happy with how their life is going (Helliwell 2002, Uslaner 2002, Delhey and Newton 2003).

We see the same positive pattern at the societal level. Cities, regions and countries with more trusting people are likely to have better working democratic institutions, to have more growth in their economy and less crime and corruption (Putnam 1993, Zak and Knack 2001, Rothstein and Stolle 2003). For societies, generalised trust seems to be an important asset and as such it has been conceptualised as one central part of *social capital* (Coleman 1988, Putnam 1993). In sum, both at the individual and societal levels, many things that are normatively desirable seem connected to social trust and have been attributed to social capital more generally. The issue of causality is admittedly a different question from the statistical correlations, but so many correlations point in the same direction that social scientists have begun to pay a lot of attention to trust. The number of articles published in social science

journals with “trust” as a keyword or in its abstract increased from 68 to 903 from 1990 to 2003.¹

There are thus many good reasons to be interested in social trust. We would like to add that one reason for this increasing interest in research on social trust is that, as a variable, it has one important advantage, namely stark variation. If we compare the percentage of people who respond positively to the question if they think that most other people in their society can be trusted, there is a lot of variation that needs to be explained. In countries such as Norway, Denmark and the Netherlands, the percentage of people stating that they believe most other people in their societies can be trusted is around 60 percent, while in countries such as Brazil, the Philippines and Turkey, social trust is around a meagre ten percent.² There is of course also a lot of variation between individuals living in the same country when it comes to social trust that is equally important to explain.

We argue here that trust is an important reason for social solidarity. Trust also is part of a social conscience—the belief that the various groups in society have a shared fate and that it is the responsibility of those with more resources to provide for those with less. We see this in the good deeds that trusters perform (giving to charity, volunteering their time) and in the policies that trusting societies pursue—specifically those that help those with fewer resources. Yet, *helping those with fewer resources does not simply involve taking from the rich and giving to the poor, as Robin Hood did in Sherwood Forest. Instead, we argue, the policies most effective in reducing inequalities are universal social policies. These policies stem from our sense of generalised trust—and, in turn, help to create a more trusting society.*

¹ Source: Social Science Citation Index.

² Source: World Value Surveys: <http://wvs.isr.umich.edu/>

Trust versus Trust: The Theory

Generalised trust links us to people who are different from ourselves. It is strikingly different from *particularised* trust, where people only have faith in their in-group. Generalised trust reflects a bond that people share across a society, across economic and ethnic groups, religions, and races. It is the foundation of a cooperative spirit that brings people together for common and mutually advantageous purposes. Particularised trust reflects social strains, where each group in a society looks out for their own interests and places little faith in the good intentions of others. Particularised trusters may be as involved in civic life as generalised trusters, but they will restrict their activities and good deeds to their own kinds. Evangelical Christians in the United States, a group with high in-group trust and low trust in others, are very active volunteers and donors to charity—*but only with and for their own faith communities* (Wuthnow, 1999, Uslaner, 2001).

Generalised trust both depends upon a foundation of economic and social equality and contributes to the development of a more egalitarian society. As social trust links us to people who are different from ourselves, it reflects a concern for others, especially people who have faced discrimination and who thereby have fewer resources (Uslaner 2002). In societies with high levels of economic inequality, there is less concern for people of different backgrounds. The rich and the poor in a country with a highly unequal distribution of wealth, such as Brazil, may live right next to each other, but their lives do not intersect. Their children attend different schools, they use different health care services (and in many cases, the poor can't afford either of these services). The rich are protected both by the police and private guards, while the poor see these as their natural enemy. In such societies, neither the rich nor the poor have a sense of shared fate with the other. Generalised trust is low while particularised (or in-group) trust can be high. In turn, each group looks out for its own interests and is likely to see

the demands of the other as conflicting with their own well-being. Society is seen as a zero-sum game between conflicting groups. There will be little pressure, then, to pursue public policies that serve those who are less well off.

In societies with high levels of social trust and greater levels of economic equality, the concern for all will lead to a search for policies that reduce disparities of wealth and opportunities even further. Such policies will be not simple redistribution, but universal welfare policies that treat everyone equally. The problem with redistributive (also known as selective) social policies is that the government has to single out the “needy” as a group that differs from the rest of society. This type of selection process implies that poor people are treated (and seen) as different from ordinary citizens, which reinforces perceptions of inequality (Rothstein 1998). Our argument is that universal programmes that caters to the whole (or very broad sections) of society, such as we find in the Scandinavian countries especially, lead to a greater sense of social solidarity which spurs generalised trust which then lead to more equality in turn.

Why some countries are more trusting than others

A number of explanations have been put forward for the stark variation in social trust among countries. Among these, participation in voluntary associations received most attention. Yet, there is scant evidence that participation can lead to trust. A large number of studies have failed to find a link between generalised trust and participation in civic or political life (Claiborn and Martin 2000; Whiteley 1999; Wollebaek and Selle 2002, Hooghe and Stolle 2003; Stolle 2000; Delhey and Newton 2003, Uslaner 2002, ch. 5). It is often the case that people who are members in voluntary associations are more trusting, but Stolle (2000) shows that group members are more trusting due to self-selection. People who mistrust others shy

away from civic engagement altogether, while it is people who already are trusting others that become members. However, Uslaner (2002, ch. 5) generally finds minimal effects of group membership, calling civic engagement “moral dead ends.” Group members become more trusting *of each other* but not of outsiders over time (Stolle, 2000). And many groups may inhibit rather than promote trust in people who are different from one’s group (Levi, 1996, Uslaner, 2002, ch. 5). Groups that reinforce in-group identity such as religious fundamentalists and racists are especially detrimental to generalised trust.

In this paper, we shall examine a variable that has not received the attention we think it deserves in the discussion about the sources of generalised trust, namely equality. We conceptualise equality in two dimensions: One is economic equality and the other is equality of opportunity. The omission of both these dimensions of equality in the social capital literature is peculiar for several reasons. One is that it is obvious that the countries that score highest on social trust also rank highest on economic equality, namely the Nordic countries, the Netherlands, and Canada (see Figure 3).

Secondly, these countries have put a lot of effort into creating equality of opportunity, not least in regard to their policies for public education, labour market opportunities and (more recently) gender equality. One can certainly debate whether or not these policies have been as successful as hoped for, but in a comparative perspective, governments in these countries have been very ambitious in launching policies and programmes in these areas (Huber and Stephens 2001). Our argument is that by establishing universal social programmes, governments send signals to the citizens that are important for the creation of social trust. There are good theoretical reasons why both types of equality and social trust should be causally related. First, optimism for the future (which is one key determinant of social trust)

makes less sense when there is more economic inequality. People at the bottom of the income distribution will be less sanguine that they too share in society's bounty. How well the country is doing collectively, rather than how well any of us is doing individually, leads to changes in generalised trust (cf. Kinder and Kiewiet 1979).

Second, the distribution of resources plays a key role in establishing the belief that people share a common destiny and have similar fundamental values. When resources are distributed more equally, people are more likely to perceive a common stake with others. If there is a strong skew in wealth, people at each end may feel that they have little in common with others. In highly unequal societies, people are likely to stick with their own kind. Perceptions of injustice will reinforce negative stereotypes of other groups, making social trust and accommodation more difficult (Boix and Posner 1998:693).

Putnam (1993: 88, 174) argues that trust will not develop in a highly stratified society. Putnam (2000:360) states that "great disparities of wealth are inimical to widespread participation and broadly shared community integration." Seligman (1997: 36-37, 41) goes further when he argues that trust *cannot* take root in a hierarchal culture. Such societies have rigid social orders marked by strong class divisions that persist across generations. Feudal systems and societies based on castes dictate what people can and cannot do based upon the circumstances of their birth. Social relations are based on expectations of what people must do, not on their talents or personalities. Trust is not the lubricant of cooperation in societies based on rigid class divisions or other similar cleavages. The assumption that others share your beliefs is counterintuitive, since strict class divisions make it unlikely that others actually have the same values as people in other classes.

Given what seems so obvious from a quick inspection of the readily available data, the omission of economic equality and equality of opportunity from the political science and sociology literature on social capital and social trust is something of a mystery. While Putnam points at the importance of economic inequality in his analysis of social capital, it is not mentioned in his conclusion about “what killed civic engagement?” (2000: 359ff, and ch. 15). Among the seven policy prescriptions for increasing social capital in the U.S. that he presents, none touches upon increasing any form of equality (Putnam 2000 ch. 24). This is all the more surprising since what Putnam does state about a decline of social capital in the United States since the 1970s, seem to be suspiciously related in time to a dramatic increase in economic inequality (Neckerman 2004).

The same strange omission can be seen in the Russell Sage Foundations’ large project on trust: Among the 41 chapters in the three edited volumes, none is about economic inequality and none of the volumes has an index entry on equality or inequality (Braithwaite and Levi 1998, Cook 2001, Ostrom and Walker 2003). The same goes for the monograph that this project has produced (Hardin 2002). It should be added that while political scientists and sociologists largely have neglected the importance of equality for creating social trust, economists (who are usually not known to argue that governments should make efforts to increase economic equality) have been more interested. For example, Stephen Knack and Paul Zak (2002) at the World Bank have concluded that redistribution is one important policy option for governments to increase social trust (but in a way that seems mandatory for economists, they add that they worry about the economic inefficiencies that they believe can be caused by such redistribution). With this exemption, the argument for increasing social trust by reducing inequality has largely been ignored. Social capital research has to a large extent been used by several governments and policy organisations to send a message to

people that the bad things in their society are caused by too little volunteering (cf. Putnam and Feldstein 2003).³ But what if the low levels of trust and social capital that plague many countries are caused by too little government action to reduce inequality?

The stickiness problem

If we compare countries, it is evident that both trust and inequality are sticky: Neither changes much over time. The r^2 between generalised trust, as measured in the 1981 and 1990-1995 World Values Surveys between 1980 and the 1990s is .81 for the 22 nations included in both waves. Inequality similarly moves little over time. The r^2 for the most commonly used measures of economic inequality (Deininger and Squire, 1996) between 1980 and 1990 is not quite as strong as the connection with trust over time, but it is still substantial at .676 for a sample of 42 countries. A new inequality database developed by James Galbraith extends measures of inequality further back in time and across more countries.¹ The r^2 between economic inequality in 1963 and economic inequality in 1996 is .706 (for 37 countries). We can thus firmly conclude that inequality persists over time—it does not move easily. And the persistence of inequality leads to lower levels of trust—and an unwillingness to adopt the policies that might alleviate inequality.

³ See for example the reports from the Irish Government 2003, “The Policy Implications of Social Capital”; and from the Swedish Government 2002 “En uthållig demokrati”. On Australia see Winter (2000). The World Bank has also been very active in this area, see Woolcock and Narayan (2000).

Figure 1

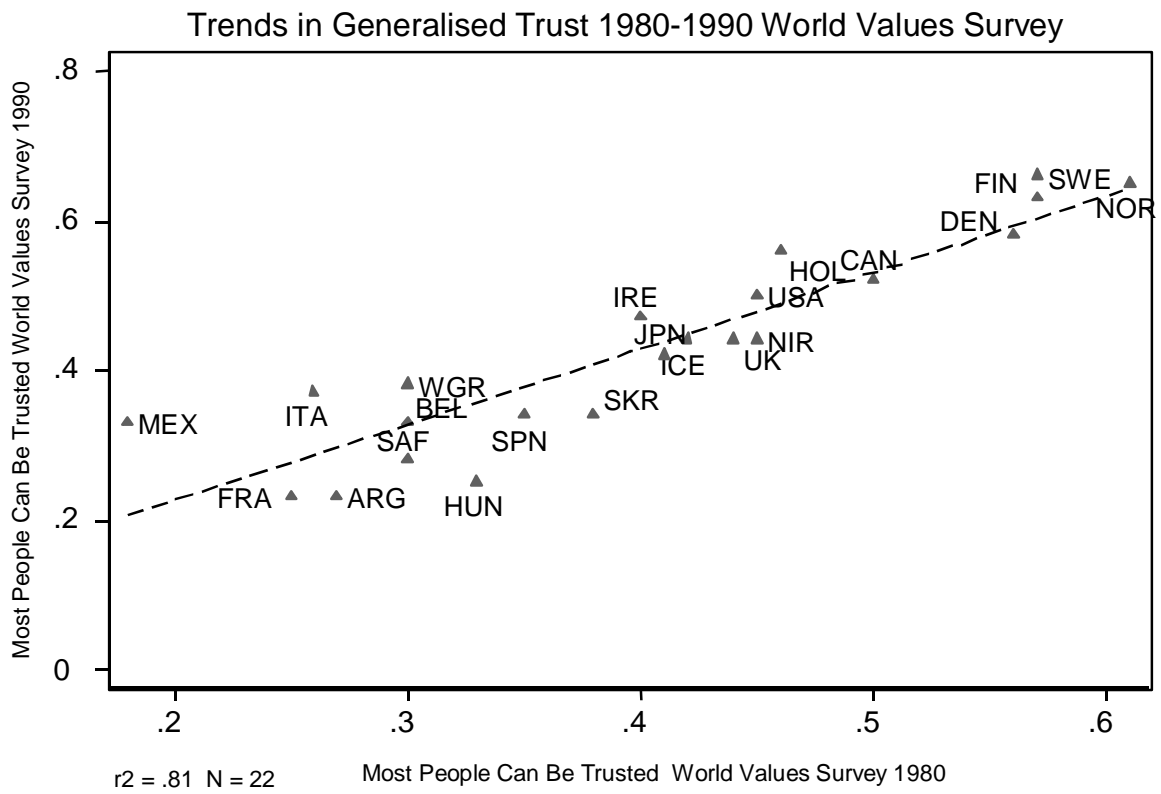


Figure 2

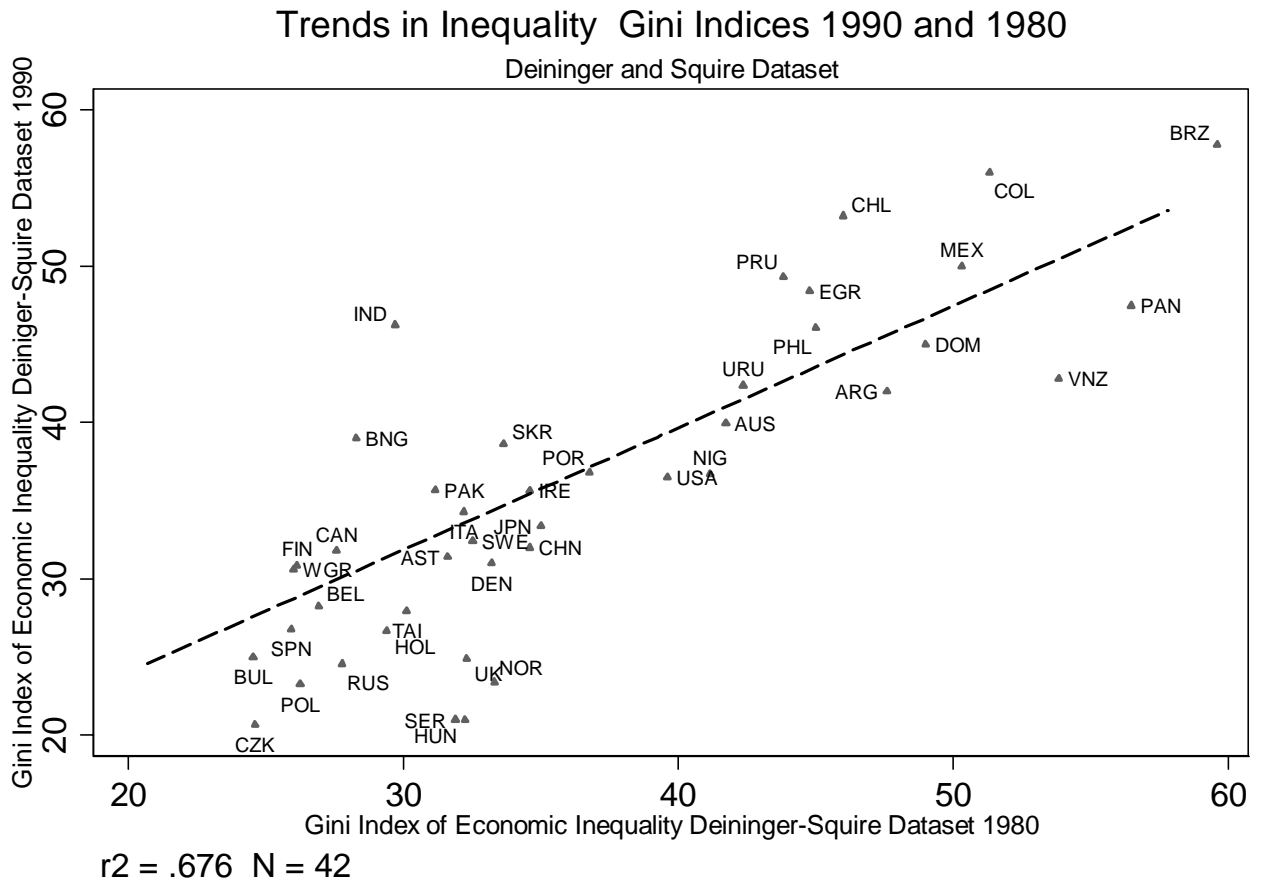
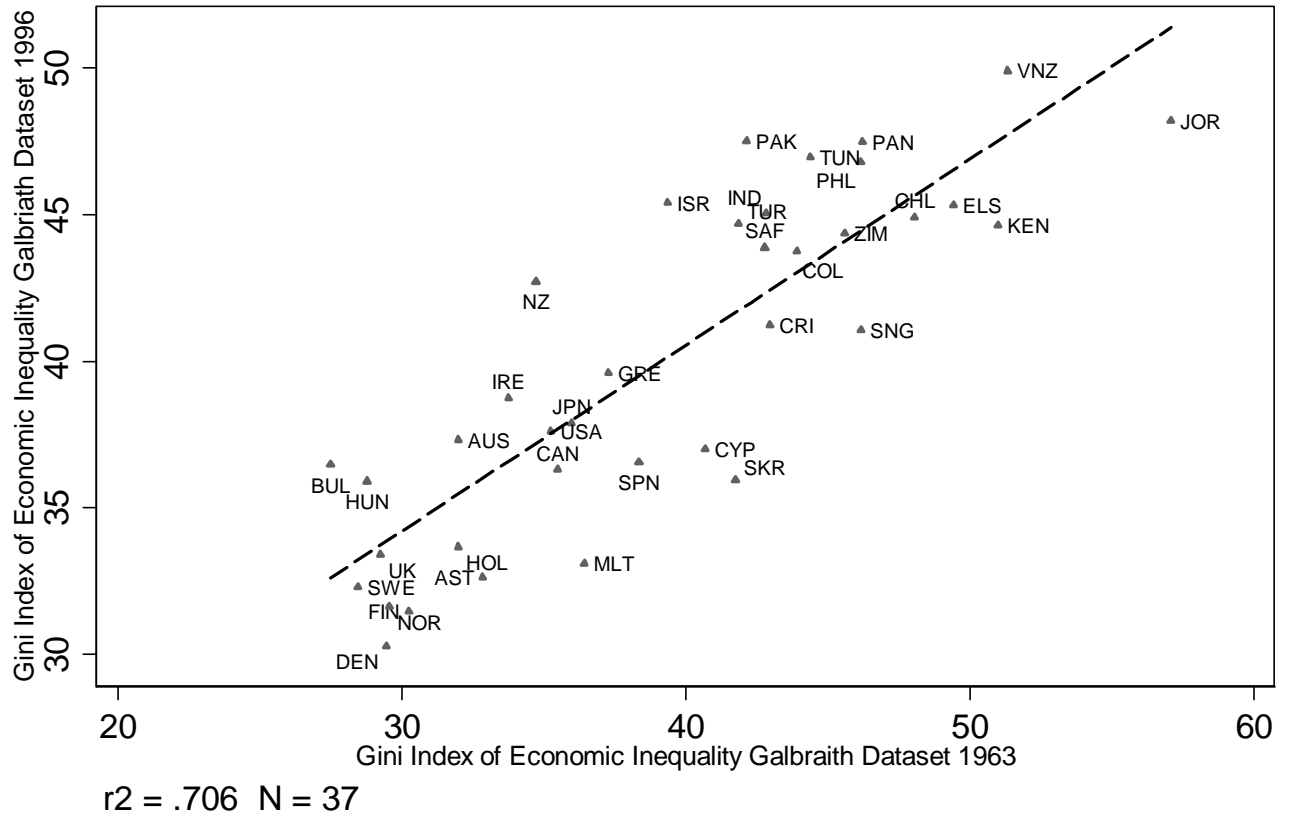


Figure 3

Trends in Inequality Gini Indices 1996 and 1963

Galbraith Data Set



Trust and inequality are strongly related across countries without a legacy of Communist rule.² In Figure 4 we show the connection between trust aggregated to the country level and the Deininger-Squire measure of economic inequality for 43 countries in the 1990s. The relationship is reasonably strong at $r^2 = .391$ for 43 cases. Using the newer Galbraith measures of inequality, the N drops to 32 but the r^2 rises to .582.³ These results are thus not confined to one particular data set. Over time, the relationship between trust and economic inequality (from 1960 to 2002) in the United States is also powerful: $r^2 = .592$ (N = 32). The level of economic inequality is the strongest predictor of trust over time in the United States, across countries without a legacy of Communism, and across the American states (Uslaner, 2002, chs. 6, 8; Uslaner and Brown, 2003). The effects of economic inequality on trust are long-lasting (not surprising since neither changes readily). The effect of the 1963 index of inequality on trust across countries *is just as powerful—and perhaps a bit more so—as the 1996 level of economic stratification.*⁴

Social policies and social trust

Why, then, is there so little change in levels of trust and equality? So far, our argument is that one of the most important ways that a country can increase its level of trust is to enact policies that will reduce the level of inequality. The problem is that universal welfare policies fare much better at reducing inequality than do simple redistribution schemes that imply selective policies. This is a paradox because one would assume that redistributive policies that tax the rich and give to the poor would be the most efficient way to reduce poverty, while universal policies that give everyone the same service or benefits (e.g., universal child allowances or universal health care) would not have a redistributive effect. But the facts are exactly the opposite (Swank 2002, Korpi and Palme 1998). The technical (econometric) reason why universal systems are more efficient in reducing inequality is that taxes are usually

proportional or progressive, but services or benefits are nominal, i.e., you get a certain sum or a certain type of service (Rothstein 2001).

People do not get more out of the system because they earn more. The net effect of proportional (or progressive) taxes and nominal services/benefits is a considerable redistribution from the rich to the poor. The political reasons why universal policies are more effective for alleviating poverty are that if a state is going to tax the rich and give to the poor, the rich (especially the middle class) will not accept paying high taxes because they perceive that they do not get enough back (Korpi and Palme 1998). They will perceive such programmes as policies only for “the poor” and the middle class in particular (who are also the “swing voters”) will turn away from political parties that argue for increasing taxes and social policies (Rothstein 1998).

There are other reasons why universal social programmes can increase social trust. The most important is that they in the process of implementation follow two important equality principles. First, universal programmes treat everyone in the same situation equally. Secondly, because they are given without means-testing, universal programmes do not have to organise a large bureaucracy to decide who is eligible and who is not. Selective welfare programmes on the other hand, tend to stigmatise recipients as “welfare clients”. They demarcate the rich and the poor very clearly and those at the bottom are made to feel that they are less worthy, not least because of the bureaucratic intrusion felt in the process of implementation (Kumlin and Rothstein 2005). Universal programmes are connected to citizens’ rights, while selective welfare programmes have trouble with legitimacy because they have to single out the “deserving” from the “non-deserving poor”. This will always

imply discretionary decisions by street-level bureaucrats that are inclined to intrude on the personal integrity of clients (Rothstein 1998).

People who receive selective welfare benefits often feel demeaned and apart from others in society. Recipients of means-tested benefits, for example Aid to Families with Dependent Children (AFDC) in the United States, are more likely to believe that the government was distant and unresponsive—and that their efforts to participate in the political process would be futile. In the United States, recipients of benefits that are *not* means-tested, such as for example disability insurance under Social Security, did not differ from the broader population that received no government benefits (Soss, 1999). Soss (2000, 46) writes of means-tested benefits in the United States through AFDC:

The act of welfare claiming, especially in a public assistance programme, can be mortifying. The degraded identity it conveys can effectively strip individuals of full and equal community membership.

One AFDC recipient spoke of the how she felt degraded when applying for benefits (Soss, 2000, 99):

They're the cowboys and you're a cow....You go all the way through this line to do this, and then this time to do that. It's like a cattle prod....I felt like I was in a prison system....these people are like, 'I'm helping you. This is something I'm doing for you. So just be quiet and follow your line.

In contrast, people who receive Social Security disability benefits in the U.S., the non-means tested programme, are not required to answer detailed questions about their personal life, do not feel threatened with loss of benefits, and believe that their case workers treat them with respect (Soss, 2000, 144-145, 154). The conclusion is that participants in universal programmes do not feel alienated from the rest of society.

Means-tested programmes, in contrast, single out people because they are poor and treat them as if they were undeserving. Poverty and inequality already rip apart the social fabric. Denigrating recipients of government programmes leads to social strains in two ways: The poor feel isolated and feel that others deem them unworthy. The denigration of welfare recipients feeds on public perceptions that the poor truly are responsible for their own poverty. Neither side sees a shared fate with the other. Universal programmes do not cast aspersions on the responsibility of benefits and thus do not destroy trust. When they work well, they can even help to create it.

People who receive means-tested benefits are also less trusting of their fellow citizens. There is supporting survey evidence for this claim in the United States, where most welfare programmes (other than universal education and Social Security) are means-tested. American politicians have often criticized welfare recipients. During his campaign for President in 1980, Ronald Reagan often brought up the image “welfare queens in designer jeans,” poor women on welfare who cheated the system as if they were typical. Vice President Dan Quayle, who served under George Bush, referred to welfare recipients as “those people” (quoted in Katz 1989:236)). Even Democrats such as Bill Clinton committed themselves to cutbacks in these programmes, promising to end “welfare as we know it.” Gilens (1999) shows that Americans believe that most welfare recipients, especially those from minority groups, are lazy and not worthy of government assistance.

Means-tested programmes reflect a lack of trust and social solidarity among the larger population, a rejection of out-groups as “not like us.” They also have deleterious effects on recipients. There is good reason to expect that those at the bottom of society’s ladder will be

less trusting, also because the way they feel that they are treated by the government. In the U.S., African-Americans are over represented as recipients of means tested programmes and they are also less trusting than other Americans. The poor more generally are less trusting (and, of course, they are the recipients of means-tested programmes). Even taking race and income (as well as longer term optimism for the future and education levels) into account, people who receive means-tested benefits are less trusting of others.

The 1992 American National Election Study (ANES) asked people if they received means-tested benefits such as welfare and Medicaid (targeted medical assistance to the poor). People who received *only* these means-tested benefits—and not universal payments such as Social Security or Medicare (both for the aged of all incomes)—were less likely to trust other people than people who did not receive such benefits: 21 percent of people receiving means-tested benefits trusted others, compared to 49 percent of Americans who received no means-tested benefits.

We estimate a multivariate statistical (probit) model of trust based upon the analysis of Uslaner (2002, 100).⁵ The model includes standard predictors of trust—education (separate measures for high school and college), sociability with neighbours, race, age, economic status (own your own home), as well as the social psychological roots of trust: optimism for life 20 years in the future, feelings of efficacy in politics, attitudes toward your own in-group (particularised trust), perceptions of desirable traits for children (being curious rather than simply having “good manners” and being considerate as opposed to simply being “well behaved”)—and the belief that it would be better off to worry less about inequality. If you are optimistic about the future and believe that you can make a difference in politics, if you want your children to be kind and curious more than simply well behaved, you will be more

trusting. If you are committed to equality and not overly committed to your in-group, you will also be more likely to trust others. *Even after we take into account all of these other factors, we find that people who receive means-tested benefits are nine percent less likely to be generalised trusters than people who do not receive such benefits* (see Table 1).

Table 1

Probit Analysis for Trust, 1992 American National Election Study

Independent Variable	Coefficient	Standard Error	t Ratio	Effect
Receives means tested benefit	-.273**	.154	-1.77	-.090
Standard living better in 20 years	.090*****	.018	4.96	.122
Have no say in politics	-.068***	.024	2.83	-.092
In-group trust	-.006***	.002	-3.04	-.168
Worry less about inequality	-.038**	.025	-1.54	-.051
Talk to neighbors	.239*****	.083	2.88	.080
African-American	-.606*****	.117	-5.17	-.199
High school education	.056*****	.014	4.13	.202
College education	.064*****	.010	6.03	.369
Own home	.168**	.078**	2.17	.057
Child should be curious	.085*****	.019	4.35	.117
Child should be considerate	.077*****	.020	3.89	.106
Age	.009***	.002	4.13	.163
Constant	-1.048***	.257	-4.08	

* p < .10 ** p < .05 *** p < .01 ***** p < .0001

-2*Log Likelihood Ratio = 2063.578 Estimated R² = .299 N = 1753
 Percent Predicted Correctly: Probit Model 70.0 Null Model: 54.5

Effect is the difference in estimated probabilities from the minimum to the maximum values of the independent variable (except for age, where we use the range 18-75). For a description of the data and variables, see Uslaner (2002, ch. 4).

When people do not see themselves as part of the same moral community with a shared fate, they will not have the solidarity that is essential for building up social trust. Means-testing stigmatises the poor and makes them feel that they are “apart” from others in the society in critical ways and that the government is less concerned for their welfare than for those with more resources. Simply put, evidence from the U.S. shows that instead of increasing equality, a welfare state built mainly on means-testing programme perpetuates feelings of inequality both among the poor and the more affluent.

If we compare this evidence from the United States with Swedish data, the similarities are striking. People in Sweden who are the target of selective measures such as determining eligibility for social assistance and disability pensions have significantly lower trust in other people than the rest of the population (Rothstein and Stolle 2003). In a survey about Swedish citizens’ contacts with various welfare state programmes, respondents were asked to state whether they had dealt with a number of selective welfare institutions. The minority of Swedes who had been in contact with selective programmes had significantly lower social trust than the rest of the population. The negative effect on social trust caused by interactions with means-testing institutions remained statistically significant controlling for the level of education, social class, income, extent of activity in civil society, interest in politics, general happiness, political ideology (left-right), and job market status (employed or unemployed). The Swedish data show that contacts with means-testing welfare state institutions seem to reduce interpersonal trust even when a large number of other factors are taken into consideration (Kumlin and Rothstein 2005)—just as we reported for data from the United States.

Universal programmes and social trust

Part of the answer to why countries with large and mostly universal welfare state programmes have more social capital is that these programmes create societies with less economic inequality. But the benefits may be more substantial than that. First, universal programmes are delivered with less bureaucratic hassle and control. Second, universal programmes may create a feeling of social cohesion in society. Patients, people in elderly care, pre-school and school-children, are not separated into different services based on if they are defined as “the poor” or not. While not denying the effects of residential segregation that exists also in the Scandinavian countries, the universal programmes have very strong support from a very broad stratum of the population. These programmes are definitively not only supported by “the poor.” On the contrary, they also have a very strong support from the middle class and highly educated professional strata (Svallfors 1997). It is noteworthy that periods when the Centre and Right parties have been in power in Scandinavia (which they have been for a long periods, especially in Denmark and Norway) have not changed the universal character of these welfare states (Swank 2002, Huber and Stephens 2002).

Third, the existence of high quality universal programmes, especially when it comes to areas such as education and health care, may increase a feeling of “optimism” and “equal opportunity” among large segments of the population. The Nordic countries are comparatively high spenders on social services and education. Even college/university education is supported by taxes: The governments provide relatively generous student benefits and loans and there are no tuition fees. There are good reasons to believe that education may hold a special place when it comes to explaining trust. Controlling for most other background variables, survey data from a wide variety of nations, from Sweden to the United States to Romania, indicate that high levels of education result in high levels of generalised trust

(Brehm and Rahn, 1997; Putnam, 1995; Knack and Zak 2002; Uslaner, 2002, ch. 4; Uslaner, 2003). Bjornksov (2004) shows a powerful cross-national relationship between the level of education in a country and its share of generalised trusters.

However, education as such is not a guarantee of trust—and conceivably might even work to exacerbate inequalities in a society. When we track changes in schooling over time (from 1960 to 1990) across countries, we find only a weak relationship with inequality and trust, a weak positive relationship with inequality change, and a *negative* relationship with changes in trust.⁶ Increasing education is associated with lower inequality in India, Pakistan, Bangladesh, South Korea, Mexico, and Taiwan—but with more inequality in Chile, Brazil, Italy, and Colombia (elsewhere there is little relationship). Education makes people more trusting—but gains in education may in the short run produce a “privileged class” of highly educated people, so overall inequality may rise.

Our interpretation of these results is that in order to contribute to social trust, education must also be widely available as a universal programme. And this is not always the case. While the growth in education does track the general level of educational inequality in a country, the relationship is moderate ($r^2 = .247$, $N = 39$). It is difficult to tell how to test the relationship between changes in trust and changes in educational equality. There is a moderate *positive* correlation ($r^2 = .120$) between *changes in educational inequality from 1960 to 1990* and *changes in trust from the 1980s to the 1990s*. The more unequal a country has become, the less trusting. But it may also show that some low-trust societies decided to invest more in education: the biggest gains in educational equality occurred in Indonesia, South Korea, Tunisia, and Iran—but with high levels of inequality.

Consistent with the emphasis on individual initiative in its political culture (Hartz, 1955), the United States has lagged behind European countries in providing universal benefits (Alesina and Glaeser, 2004). The great exceptions were the Social Security system and Medicare, the old-age pension and medical insurance for the elderly. In the 1970s and 1980s, as trust was declining, the United States Congress passed legislation that shifted much of the “risk of investment (in retirement benefits for both programmes) onto workers. According to Hacker, the cuts in benefits spread “by far most rapidly among the lowest paid workers, who already had the lowest coverage levels” (2004, 255).

The social trap of universalism, trust, and equality

Perceptions of inequality lead the poor to demand redistribution and lead the rich to reject those demands. We see this social trap very clearly in Central and Eastern Europe, where countries are making the transition from Communism to democracy although the story is likely to be much the same in other developing countries with high levels of poverty and inequality as well as low levels of trust.

The growth of a market economy has meant displacement of many former state workers that were guaranteed employment and a living wage. Communism already had depressed levels of generalised trust. Overcoming both poverty and low levels of trust loomed large on the political agenda of these countries—but there has been little support for the universal policies that might create a more vibrant economy and society. Instead, there seems to be support for a more radical redistribution of income that would exacerbate tensions and make the transition more difficult.

Every country for which there are data on changes in economic inequality save one (Slovakia) showed an increase in economic inequality from 1989 to the mid-1990s (Rosser, Rosser, and Ahmed, 2000). As inequality rises, we see a clear link between perceptions of growing inequality and the belief that the only way to prosper is to be corrupt.. As an example, Mateju (1997: 4-5) argues:

...the long-lasting presence of an egalitarian socialist ideology and a functioning “nomenclatura system” associated with various social and economic privileges mean that those countries undergoing the post-communist transformation will show a low tolerance for the growth of inequality...individuals who feel that life chances for their group or class are declining in relation to those of other groups or classes may tend to consider such changes as the result of social injustice...

Stoyanov et al. (2000:35) report survey data on Bulgaria showing that: the reasons for being wealthy...have to do mainly with the unfair social system ensuring better opportunities for the well connected’ and the unscrupulous....the negative image of wealthy people does not represent only the communist socialisation stereotype, but results also from recent...experiences of corruption, organised crime, and “illegal” wealth. While most Westerners believe that the path to wealth stems from hard work, 80 percent of Bulgarians, Hungarians, and Russians say that high incomes reflect dishonesty (Kluegel and Mason, 2000, 167; cf. Orkeny, 2000, 109)—in direct contrast to Westerners, who are more likely to say that success comes from individual initiatives (Csepeli et al., 2004).

When Russian entrepreneur Mikhail Khodorkovsky confessed his sins of relying on “beeznissmeny” (stealing, lying, and sometimes killing) and promised to become scrupulously honest in early 2003, Russians regarded this pledge as “startling.” When he was arrested and charged with tax evasion and extortion under orders from President Vladimir

Putin ten months later, the average Russian was unphased: About the same share of people approved of his arrest as disapproved of it (Schmemmann, 2003; Tavernise, 2003).

Attributions of success in life matter for two reasons. First, generalised trust depends heavily upon optimism and control—the beliefs that life is good, is going to get better, and that you can help make it better. When people fear for the future and see rising inequality, they are less likely to be optimistic (Uslaner, 2002, chs. 4-8). Believing that you need special connections or luck to succeed means that you do not believe that you are the master of your own fate. This pessimism about personal control over your own fate leads to lower levels of generalised trust in societies as diverse as the United States and Romania (Uslaner, 2002, chs. 4, 6; Uslaner, 2003, cf. Rose-Ackerman 2004).

Second, when people think that the only route to prosperity is through dishonesty, this heightens social tensions between those at the top and the people who have less (Csepeli et al. 2004). This creates a situation in which ordinary citizens reject universal welfare programmes and instead call for redistribution of income away from the rich. In Romania, beliefs that corruption is widespread, personal experiences with corruption (enforced “gift payments” to public officials or the courts), and perceptions of rising inequality lead to demands to limit the income of the rich (Uslaner and Badescu, 2004).

Universal welfare programmes depend upon trust in both other people and in the government. One reason for this is that they demand a high level of taxation, and people will only pay high taxes if they believe that they get reasonable value back in the form of services and benefits. Where there is a dearth of social solidarity due to class envy, the social bonds of generalised trust will be weak, and so will the propensity (especially from the middle class) to pay high

taxes. People will identify more with their class or ethnic group (or both) than with members of the larger society. And they will not trust the government to distribute resources in a fair and honest way. This problem is not only due to the post-socialist countries. One observer of Latin American politics put the problem in a very succinct way.

I don't think there is any more vital issue in Latin America right now....It's a vicious cycle that is very hard to break. People don't want to pay taxes because they say government doesn't deliver services, but government institutions aren't going to perform any better until they have resources, which they obtain when people pay their taxes (Rother, 1999)

In low-trust societies with high degrees of economic inequality, universal programmes are not only likely to fail to gain political support. The likelihood that they will fail in the implementation process is also high. Education, health care, and basic services such as the police and the courts may very well become commodities for sale because corruption is pervasive. Parents “buy” their children’s way into good schools, especially universities, and then pay even more for good grades. Extra “gift payments” to doctors are routine in countries with high levels of economic inequality. Police will stop drivers for invented traffic infractions and pedestrians for attempting to cross in the middle of traffic and demand payments in lieu of tickets. Each of these actions subvert trust in government and thereby the notion that they could implement universal social policies in a fair and equal way. Instead, suspicion that bureaucrats will give extra advantage to those willing and able to make the “extra” payment is likely to be pervasive (Kornai 2000)..

Conclusions

If social trust is generated by the two types of equality that we have pointed at, and if universal policies are the best way to increase these types of equality, many countries that are

plagued by low levels of social trust and social capital may be stuck in what is known as a social trap (Rothstein 2005). The logic of such a situation is the following. Social trust will not increase because massive social inequality prevails, but the public policies that could remedy this situation cannot be established precisely because there is a genuine lack of trust. This lack of trust concerns both “other people” and the government institutions that are needed to implement universal policies

Poor and inegalitarian countries thus find themselves entrapped into continuing inequality and mistrust. High levels of inequality contribute to lower levels of trust, which lessen the political and societal support for universal welfare programmes. Unequal societies find themselves trapped in a continuous cycle of inequality, low trust in others and in government, and policies that do little to reduce the gap between the rich and the poor. Demands for radical redistribution, as we see in many of the transition countries, exacerbate social tensions rather than relieving them.

There will be no political support for universal programmes since the rich benefit from high-level corruption and see the poor as “underserving poor”. The poor see almost *all* success in the market economy as evidence of dishonest behaviour and believe that those who are well off already have taken more than enough from the state. From this perspective, the idea that the better off should also have access to public services and benefits seems awkward. Moreover, even if you could generate enough political support to enact universal programmes, people may not have enough confidence in government institutions to deliver them fairly and without corruption. Persistent petty corruption may make “gift payments” appear to be rational responses to an unresponsive service sector: You may feel more secure in knowing that you can buy your children’s way into a good school and to good grades,

rather than risking more neutral assignment and grading criteria. You may well prefer to make an extra payment at a doctor's office rather than wait your turn. Corruption feeds upon economic inequality, low trust, and poor government performance. But it generates alternative ways of coping that may inhibit the adoption of programmes that might alleviate inequality.

Our message is admittedly a pessimistic one. Given the stickiness over time of both inequality and low levels of social trust, we think there is reason for our pessimism. Too much of the policy prescriptions that have come out from the social capital agenda have been too optimistic. If people just got more active involved in voluntary associations, things would improve. There are three reasons why we think this approach is wrong. First, the evidence that generalised trust is created by joining associations is simply not there. Secondly, it relieves governments from their responsibilities for dysfunctional public institutions and unfair or ineffective public policies. Thirdly, governments and the political elite can use this demand for increased participation in civic groups for blaming the victims in society.⁴

⁴ If we would have a choice, governments in high inequality/low social trust societies should opt for high quality universal education programmes. There are several reasons for this. One is that universal public education creates both a sense of equal opportunity and generates more economic equality. Secondly, it should give parents a sense of optimism for the future or their children, and since optimism is strongly connected to social trust, this would have positive effects. Thirdly, such programmes would bring children and young people from different ethnic, religious and social groups together. Results from social psychology shows that this is one important generator of social trust (Yamagishi 2001).

Even though inequality is sticky, it can be moved. Generalised trust may be a critical path to redistribution, but it is not the only one. So we temper our pessimism just a bit. The East Asian “tigers” achieved dramatic economic growth and reduced economic inequality through a series of policy choices that included high levels of spending on education, land reform, increased agricultural productivity, making health care more widely available to everyone, and opening up markets (Ahuja et al, 1997, 48-53). Each of these policies made services to the public more widely available, as universal programmes do. Economic growth and lower rates of population expansion, in turn, lead to less inequality (Uslaner, 2002, 234-235).

We have few surveys in these countries to test this directly. Yet, there is a bit of evidence supporting our argument: For countries with fewer than 40 percent of the public trusting others included in both the 1981 and 1990-95 World Values Surveys, trust rose in four and fell in three. Inequality rose in three and fell in four. The declines in trust in Argentina and Hungary tracked rising inequality. Mexico had the sharpest increase in trust of any country (15 percent, followed by a decline by 6.5 percent in 2001)—and an almost imperceptible increase in inequality. There were increases in trust and declines in inequality in Belgium, West Germany, and Italy. Only South Korea, one of the “tigers,” stands out as having moderate declines in both trust and inequality. The 1980s and early 1990s in South Korea were a time of great political turbulence, so factors other than falling inequality could lead to lower levels of trust.⁷ Overall, there is reason to believe that lower inequality will lead to greater trust in countries where trust is low. The key question is whether countries will have the political will (if not the trust) to adopt the sorts of policies that can promote greater trust.

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NOTES

*Part of this research was supported by a grant to Rothstein from the Swedish Science Council (421-2003-1929) and for the Swedish Council for Working Life and Social Research (F0925/1999). Rothstein is also grateful for the support from the Society – Opinion – Media Institute at Göteborg University and in particular to its leaders Sören Holmberg, Lennart Nilsson and Lennart Weibull. Part of this research was also supported by a grant to Uslaner from the Russell Sage Foundation and the Carnegie Corporation under the Social Dimensions of Inequality Project. Some of the data come from the Inter-University Consortium for Political and Social Research, which is not responsible for any of our interpretations. Uslaner is also grateful to the General Research Board, University of Maryland—College Park, for support on related projects and to assistance from M. Mitchell Brown and crucial discussions on Central and Eastern Europe with Gabriel Badescu of Babes-Bolyai University, Cluj-Napoca, Romania. Both Rothstein and Uslaner would like to thank Janós Kornai and Susan Rose-Ackerman for making it possible for us to participate in the research project “Trust and Honesty in the Light of Post-Socialist Transition” at the Collegium Budapest Institute for Advanced Study.

¹ The data can be obtained at <http://utip.gov.utexas.edu/web/>.

² For the logic explaining why we eliminate countries with a legacy of Communism, see Uslaner (2002, 228-230).

³ This is *not* an issue of case selection, since we get an R^2 of .560 of the regression of the Galbraith measure on trust for the 30 cases with non-missing values on both Gini coefficients.

⁴ The R^2 for the 1963 measure with levels of trust in the 1990s is .653 ($N = 33$) compared to .560 for the 1996 index of inequality. The regression coefficients (.022 and .020, respectively) are almost identical.

⁵ The model is based upon Uslaner (2002), 100. We dropped trust in government as a predictor since it is likely endogenous to receipt of means-tested benefits (see Soss, 1999). For a description of the measures, see Uslaner (2002), 99-101.

⁶ The education data come from the Levine-Loayza-Beck data set available at <http://www.worldbank.org/research/growth/lbdata.htm>. The data on educational inequality come from Thomas, Wang, and Fan (2000).

⁷ On the effect of conflict on trust, see Uslaner (2002, ch. 6) and Uslaner, Canetti-Nissim, and Pedazhur (2004). We only consider changes in trust for countries with less than 40 percent trust in 1981 because the fluctuations in trust in these surveys seems to be random over time rather than systematic and the changes in inequality are not large.